THE CITY OF KENOSHA
CHART A BETTER COURSE

Agenda
HOME Program Commission Meeting
Municipal Building, 625 52nd Street - Room 204, Kenosha, WI
Tuesday, October 1, 2024
6:30 pm

Alderperson Ruth Dyson, Chairperson
Alderperson Art DeBaere, Vice Chairperson
Alderperson Holly Kangas
Committee Member Mark Bourque
Committee Member Anthony Kennedy
Committee Member Stephen Retherford

Call to Order
Roll Call
Citizens Comments

Approval of the Minutes of the Meeting Held June 25, 2024

1. 2025 HOME Program Description - PUBLIC HEARING

Committee Member's Comments

IF YOU ARE DISABLED AND NEED ASSISTANCE, PLEASE CALL 653-4030 BY NOON OF THIS MEETING DATE TO MAKE ARRANGEMENTS FOR REASONABLE ON-SITE ACCOMMODATIONS.

HOME PROGRAM COMMISSION
Minutes
Tuesday, June 25, 2024

MEMBERS PRESENT: Alderperson Art DeBaere, Alderperson Ruth Dyson Alderperson Holly Kangas, Anthony Kennedy, Stephen Retherford

MEMBERS ABSENT: Mark Bourque

STAFF PRESENT: Mike Maki

The meeting was called to order at 5:03pm by Mr. Kennedy, roll call was taken.

Citizens Comments – No Citizens Comments

A motion was made by Ms. Kangas and seconded by Ms. Dyson to approve the minutes of the January 30, 2024 meeting. The motion passed. (Ayes 5, Noes 0)

1. **Election of Chairperson and Vice Chairperson of HOME Program Commission**

Ms. Kangas nominated Ms. Dyson for Chairperson of the HOME Program Commission. Mr. DeBaere seconded the motion. The motion passed. (Ayes 5, Noes 0)

Mr. Kennedy nominated Mr. DeBaere for Vice Chairperson of the HOME Program Commission. Ms. Kangas seconded the motion. The motion passed. (Ayes 5, Noes 0)

Commissioner's Comments – No Commissioners Comments

A motion to adjourn was made by Mr. Kennedy and seconded by Ms. Kangas. The motion passed. (Ayes 5, Noes 0) The meeting adjourned at 5:06 pm.

Certification that the minutes have been approved by the HOME Program Commission

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Timothy M. Casey, Director of City Development

Meeting Minutes Prepared by: Olyvia Holbach, City Development

Draft

HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)
2025 PROGRAM DESCRIPTION

Use of Funds

The City of Kenosha intends to use its 2025 HOME funds for Program Administration and for eligible HOME Program activities as outlined below. The 2025 HOME Program Description is designed to allow flexibility in the allocation and commitment of funds to a variety of eligible HOME Program housing activities.

The City is funding these particular activities in this plan in order to be consistent with its Consolidated Plan, and to insure local housing activities are consistent with neighborhood revitalization strategies already adopted by the City.

Program Administration

The City of Kenosha will use 10% of its 2025 HOME allocation for payment of administrative and planning costs of the HOME Program. These costs include the reasonable costs of overall program management, coordination, monitoring, and evaluation of HOME activities by the City of Kenosha. The City will also set aside 10% of eligible HOME Program Income for allowable HOME Program administrative costs.

City of Kenosha Eligible HOME Program Activities

The City of Kenosha may use available 2025 HOME allocation to support the following types of activities undertaken by the City, Community Housing Development Organizations (CHDOs), Sub-recipients or Private Developers:

A) Homeowner Rehabilitation
B) Acquisition and/or rehabilitation of homebuyer properties by a CHDO or sub-recipient.
C) New Construction of Single Family Homes by a CHDO or sub-recipient.
D) Tenant-based Rental Assistance for Elderly, Elderly Veterans, Elderly with Disabilities
E) Administrative expenses

Previous HOME Program Descriptions committed funds for Homebuyer Purchase Assistance, Down Payment and/or Closing Cost Assistance and New Construction of single family homes by the City. These activities will continue to be funded in 2025 until all previous committed funds are depleted.

Community Housing Development Organizations (CHDOs)

A minimum of 15% of HOME funds is reserved for use by eligible CHDOs. The City of Kenosha has chosen to set aside 15% of its 2025 HOME funds for eligible CHDOs to undertake eligible HOME Program activities listed above.

The City will allow CHDOs to request a maximum developer/general contractor fee of 15% of the total project cost of each HOME funded project they undertake and complete. Additional funding for CHDO projects may be made available from other HOME Program funds.

The City could also set aside up to 5% of HOME funds for CHDO administrative expenses. CHDOs will need to submit an application to the City which includes their operating budget sources and

use of funds to support their application for CHDO administrative expenses. The application will be reviewed by the City's HOME Program Commission with a recommendation to the City Finance Committee and Common Council for review and consideration.

HOME Program Income

HOME Program Income funds will be used to fund eligible HOME Program activities and funding set-asides for eligible CHDOs and/or sub-recipients to carry out HOME eligible activities, including housing rehabilitation projects, homeowner rehabilitation loans, homebuyer assistance and single family new construction. In addition, up to 10% of eligible program income may be used for HOME Program allowable administrative expenses.

Anticipated 2025 HOME Program Entitlement and Program Income Funds:
(2025 Entitlement funds based on the 2023 allocation)

Activity		***Home Funding***	***Match Funding (25%)***
Administration	(2025 Funds)	$44,668.80	$0.00
Eligible Housing Activities	(2025 Funds)	$312,681.60	$78,170.40
CHDO Set-Aside	(2025 Funds)	$67,003.20	$16,750.80
CHDO Operating Funds	(2025 Funds)	$22,334.40	$0.00
TOTAL 2025 HOME FUNDING		***$446,688.00***	***$94,921.20***

Estimated 2025 HOME Program Income	$189,000.00
Estimated Program Administration (10%)	$21,000.00
TOTAL ESTIMATED 2025 HOME PROGRAM INCOME FUNDING	***$210,000.00***

The City also has $70,420.40 of funds from previous years that have not been allocated to activities..

Proposed Allocation of HOME Program Entitlement and Program Income Funds:

ACTIVITY	***FUNDING AMOUNT***
Program Administration (10% of 2025 HOME Program Allocation, PA and TBRA Administration)	$65,668.80
Tenant-Based Rental Assistance for Elderly, Elderly Veterans and Elderly with Disabilities	$120,000.00
Homeowner Rehabilitation Loan Program	$90,000.00
Community Housing Development Organizations – Operating Funds	$22,334.40
Community Housing Development Organizations – Activities (15% of 2025 Allocation and additional funds)	$429,105.20
TOTAL ESTIMATED 2025 HOME PROGRAM FUNDING	***$727,108.40***

RENTAL HOUSING REHABILITATION (Not proposed for funding in 2025)

The City may utilize HOME Program funds to support the acquisition and/or rehabilitation of affordable Rental Housing units. Eligible projects may be existing one or more multifamily buildings with rental units on a single site, or multiple sites that are under common ownership, management and financing. In no case shall funding be provided for a unit to be converted to a rental unit if the existing use or former use was owner-occupied housing. The project should also utilize private funds, Low Income Housing Tax Credits, Low Income Housing Revenue Bonds or other grant /loan programs to help leverage the HOME funds.

Units that are rehabilitated with HOME funds must meet all applicable state and local codes, rehabilitation standards and ordinances, including the *City of Kenosha Minimum Housing Rehabilitation Standards*. All assisted units are required to meet the accessibility requirements of the Fair Housing Act and Section 504 of the Rehabilitation Act of 1973. The property must be maintained in accordance with these property standards throughout the affordability period.

Rehabilitation of rental housing utilizing HOME funds will require a 5 to 15-year affordability period for the HOME Assisted Units. The HOME Assisted Units will be "fixed units" as opposed to "floating" HOME units for the entire affordability period. HOME Assisted Units must be comparable to non-HOME Assisted Units in terms of amenities, number of bedrooms, square footage and location in the building.

The household occupying such rental units shall be families or individuals whose income does not exceed 50% of Kenosha County median family income as published annually by the US Department of Housing and Urban Development (HUD). Low HOME Rent Limits will apply to all designated HOME units. The 50% HOME Rent Limits less any tenant paid utilities would apply to all other 50% CMI designated Assisted Senior Units. Determination of the minimum number of HOME Assisted Units per project and maximum per-unit HOME subsidy will be calculated according to all HOME Program standards, including, pro-rata (fair share test), the HOME per unit subsidy limit and subsidy layering analysis to determine the funding gap to be financed to provide the HOME affordable units.

The City's subsidy layering evaluation requirements are included in the next section below. The City may use the subsidy layering review done by WHEDA for the Low Income Tax Credit Program to ensure that no more than the necessary amount of HOME Program funds are invested in any one project to provide affordable housing.

RENTAL HOUSING REHABILITATION SUBSIDY LAYERING REVIEW, UNDERWRITING AND MARKET ANALYSIS

HUD establishes subsidy limits annually on the amount of HOME funds that may be invested in affordable rental housing on a per-unit basis per locality.

Before committing HOME funds to a project that combines the use of any other local, state or federal assistance, the City must evaluate the proposed project in accordance with the guidelines that it has adopted, to ensure that the City does not invest any more HOME funds than are necessary to provide affordable rental housing. The guidelines, referred to as Subsidy Layering Guidelines, are incorporated as part of the City of Kenosha HOME Program Description, Consolidated Plan and Policies and Procedures.

The City of Kenosha will use the following types of subsidy layering review before committing HOME Program funds to any rental housing rehabilitation project:

A) A subsidy layering review produced by HUD when the other source of funding is provided by HUD, and HUD conducts a subsidy layering review;

B) Subsidy layering analysis produced by the Wisconsin Economic and Housing Development Authority when Low Income Housing Tax Credit (LIHTC) is used, and WHEDA conducts an evaluation to determine whether there are excess tax subsidies;

C) A subsidy layering analysis produced by the developer and reviewed by the City of Kenosha in accordance with the guidelines presented in HUD Notice CPD 98-1. These guidelines include review of the following documents supplied by the developer/applicant:

Sources & Uses of Funds: As part of the application process, the City of Kenosha will require a Sources and Uses of Funds Statement for the proposed project with supportive documentation, including lender commitment letter(s), documentation of owner cash equity and any deferred developer fees. This should reflect the project development budget and should list:

1. All proposed sources (both private and public) of the funds and dollar amounts for each respective source; and

2. All uses of funds (including acquisition costs, rehabilitation or new construction costs, financing costs, and professional fees) associated with the project.

Certification of Governmental Assistance: The applicant/developer must provide a formal certification as to whether or not additional governmental assistance will be provided to the project, and if so, what kind of assistance.

Project Development Budget: The City of Kenosha will review the project development budget to determine whether the development costs are necessary and reasonable. The budget is to include all costs associated with the development of the project, regardless of the funding sources.

1. "Reasonableness" of costs should be based on all of the following factors:

   a) Cost of comparable projects in the same geographical area;

   b) The qualifications of the cost estimators for the various budget line items; and

   c) Comparable costs published by recognized industry cost index services.

Proforma: The City of Kenosha will determine the reasonableness of the rate of return on equity investment by looking at the applicants proforma (project income and expense statement). The proforma should include achievable rent levels, market vacancies, and operating expenses. It should also specify the consequences of tax benefits, if any, and any other assumptions used in calculating the project cash flow. The proforma should represent, at a minimum, the term of the HOME affordability requirements (20 years) or longer if any other funding sources require longer affordability terms.

The subsidy guidelines can also be used to determine the appropriate level of HOME funds to be used in a project absent of any other governmental assistance.

The City will utilize the underwriting guidelines in its Policies and Procedures and will assess whether there is adequate market demand prior to commitment of HOME funds.

Home Sales Policy

Homes for sale through the City of Kenosha HOME Program will be advertised and sold on a first-come-first-served basis.

HOMEBUYER APPLICANT REQUIREMENTS

Citizenship

Applicants to purchase properties for sale through the City of Kenosha's HOME Program must be US citizens or have “Qualified Alien” status under Section 431 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

Income

Eligibility for buyers through the HOME Program is based on annual household income. Total annual household income cannot exceed 80% of the County’s median income per family size as determined by HUD. In accordance with the federal HOME Program Rules, the City has chosen to use Federal Income Tax IRS Form 1040 adjusted gross income to determine annual income. All homebuyers must sign IRS Form 4506 “Request for Copy of Tax Form”. The City will request a copy of the applicant's federal tax return transcript from the IRS where not provided by the applicant. For IRS tax returns older than six months, the City will require an updated income verification, including third party verification of employment and recent earnings statements.

Ability to Obtain Mortgage Financing

Potential homebuyers must have the ability to obtain a Fixed Rate mortgage loan from a private lender or the City for a minimum of 80% of the purchase price of the property offered for sale (57% for homes sold by the City). The minimum financing is based on a 3% down payment. Where the homebuyer provides a larger downpayment, the minimum financing obtained through a private lender or the City may be reduced.

Down Payment Requirement and Down Payment Assistance

All homebuyers are required to provide a 3% down payment at closing. The down payment may be from the buyer’s personal savings or from a Down Payment Assistance Grant provided through the Federal Home Loan Bank, City of Kenosha, sweat equity, or other source of down payment assistance.

The City may provide a Down Payment Assistance Grant to eligible homebuyers through HOME Program funds. The Down Payment Assistance Grant will require the homebuyer to pay a minimum of 25% of the required downpayment amount, or $1,000, whichever is greater. The Homeowner will be required to live in the home for a minimum of five years, or the grant amount will be required to be paid back in full, less a 20% reduction for every year the homeowner resides in the home. Down Payment assistance will only be provided in conjunction with the Second Mortgage Program, except for VA Loan Borrowers.

Down Payment Assistance for VA Loan Borrowers

The City may provide a Down Payment Assistance Grant of up to $5,000 for eligible Veterans Administration Loan borrowers. Down Payment Assistance Grants will be a lien filed on the property and will be forgiven provided the homeowner resides at the property for a period of 5 years after purchasing the property. Where the homeowner lives in the home less than 5 years, the grant amount will be required to be paid back in full, less a 20% reduction for every year the homeowner resides in the home.

Primary Residence and Owner Occupied Single Family Deed Restriction

HOME assisted property must be occupied as the homebuyer's primary residence. The City will place a Deed Restriction on the property at the time of property transfer of homes sold by the City: "This property is a single family dwelling and will always remain a single family dwelling and owner occupied for as long as it remains on the land." The homebuyer cannot own any other residential property at time of closing.

A deed restriction will also be recorded on properties that have utilized a mortgage to complete owner-occupied rehabilitation through the Rehabilitation Loan Program.

Homebuyer Counseling Requirement

All homebuyers receiving assistance through the City's HOME Program must participate in homebuyer training offered through a HUD certified Local Housing Counseling Agency and provide the City with certification they have successfully completed such training.

Mortgage Subordinations

The City will process requests for mortgage subordinations from homebuyers for their HOME funded second mortgage under the following criteria:

A) By refinancing their first mortgage, the borrower will be able to lower their interest rate, monthly payment and/or loan term.

B) The borrower will be able to convert from an ARM to a fixed rate mortgage.

C) The borrower will be taking out an equity loan or refinancing for purposes of doing home improvements, purchasing a car or for college costs.

D) The City will require a 90% Loan to Value limit on equity loans, and a maximum of 125% Loan to Value limit on refinancing where the borrower is able to lower their interest rate, payment or loan term. The Loan to Value ratio will include the City's HOME second mortgage balance.

E) The City will use the Assessed Value as determined by the City Assessor's Office, Estimated Market Value consistent with valuation modules permitted by the first mortgage's loan program, or appraised value, whichever is higher, to determine the property value.

F) Closing costs and fees for the proposed refinancing loan or equity loan must be no more than 3% of the proposed new loan amount.

Written requests for mortgage subordinations from homebuyers with a HOME second mortgage will be accepted and reviewed by City staff. A report and recommendation will be submitted to the City of Kenosha Housing Authority Board of Commissioners for review and consideration. A processing fee of $100 will be charged to the borrower upon approval and processing the mortgage subordination.

HOME PROGRAM ASSISTANCE TO BUYERS

Second Mortgage Purchase Assistance

Second mortgage purchase assistance loans will continue to be made available to income eligible homebuyers purchasing new or existing homes city-wide. These purchase assistance loans will be provided for up 17% of the purchase price of the home. Second mortgage assistance will also be available for up to 40% of the purchase price of homes sold by the City of Kenosha. HOME second mortgage purchase loans for eligible homebuyers will be written as deferred payment loans at 0% interest for the first ten (10) years, then monthly payments will be required for the next twenty (20) years at an interest rate of 3% annually.

On a case-by-case basis, subject to final approval by the Kenosha Housing Authority Board, the City may offer a second mortgage loan where repayment is deferred until time of sale or when the property ceases to be the principal residence of the homebuyer. This provision is also available to existing holders of City Second Mortgage Loans when refinancing. Repayment shall not be required until the borrower sells the home or it is no longer their principal residence. Such loans shall be subject to a “deferred loan fee” of 10% of the original loan amount at the time of repayment.

In all cases, the second mortgage will be based on the financing gap, less the amount of the first mortgage and required down payment. As part of its underwriting review, the City will evaluate debt-to-income (dti) ratio for all applicants. Generally, the front end dti should not be any greater than 30%, including the first mortgage principal and interest, taxes and insurance, and the back-end dti should be less than 45%. Where the front-end dti is greater than 30% or the back-end dti is greater than 45%, the City may provide a second mortgage for a larger amount than the financing gap to reduce the front-end dti to 30% or less, or to reduce the back-end dti to 45% or less.

Closing Cost Assistance

The City may provide a Closing Cost Assistance Grant, up to 3% of the purchase price, to eligible homebuyers through HOME Program funds. The Homeowner will be required to live in the home for a minimum of five years, or the grant amount will be required to be paid back in full, less a 20% reduction for every year the homeowner resides in the home. Closing cost assistance will only be provided in conjunction with the Second Mortgage Program.

Recapture and Resale Provisions

The City of Kenosha anticipates that some of the first-time Homebuyer (FTHB) assistance provided with HOME funding will be a development subsidy used by the City or developer (HOME fund recipient) to produce affordable housing units. In those instances, it is expected that some of this subsidy will be a project development subsidy and this subsidy amount may not be recaptured.

Recapture Option

This option will be used by the City to recapture the HOME funded second mortgage purchase assistance loans provided to the homebuyers if the HOME recipient decides to sell the house within the

required affordability period. The homeowner is able to sell the property at whatever price the market will bear. Recaptured funds are considered HOME Program Income to be reused for any HOME-eligible activity.

The City of Kenosha will also require that rental housing developers who have been assisted with HOME funding be subject to recapture provisions in the event the owner/developer sells their property before the period of affordability has expired:

Five (5) years when the per unit of HOME funds is less than $15,000
Ten (10) years where the amount of HOME funds provided is $15,000 to $40,000
Fifteen (15) years where the per unit amount of HOME funds is greater than $40,000

Affordability periods for home ownership assistance through the HOME Program

HOME Funds Provided (Per Unit) *	***Affordability Period***
Less than $15,000	5 Years
$15,000 to $40,000	10 Years
Greater than $40,000	15 Years

**Per unit HOME Program assistance for home ownership is based on the amount of the HOME mortgage purchase assistance provided to the homebuyer. For example, if the City's HOME funded second mortgage to the buyer is $25,000, the affordability period on the home is 10 years. Therefore, the City will provide second mortgage purchase loans with monthly payments deferred for 10 years at 0% interest. After the initial 10 years, the loan converts to a 3% monthly installment loan at 3% interest for a 20-year term.*

Resale Option

The resale option will only be used by the City in those cases where the homebuyer declines to accept a HOME funded second mortgage to purchase a HOME Buyer Program property. This option ensures that the HOME-assisted unit remains affordable over the entire affordability term. Resale requirements under the “resale option” include the following:

A) The new purchaser must meet HOME Program income eligibility requirements (annual adjusted income below 80% of Kenosha County median income for family size).

B) The new purchaser must occupy the property as their principal place of residence.

C) The sales price must be affordable to the new buyer.

D) Affordability is defined as: Monthly payment for principal, interest, taxes and insurance (PITI) cannot exceed 40% of the purchasers gross annual income.

E) The seller is entitled to a “fair return” on their investment upon sale of the property. “Fair Return” on investment for purposes of the City’s HOME Program includes the homeowner’s initial investment (first mortgage, down payment and closing costs) and any documented capital improvements to the property completed after the initial sale.

Enforcement of the Recapture or Resale Options

The City will use the following legal instruments to meet and enforce the requirements of the recapture or resale restrictions:

HOME Requirement	*Recapture Option*	*Resale Option*
Principal Residence	Deed Restriction & HOME Lien	Deed Restriction & HOME Lien
Affordability Period	Promissory Note & HOME Lien	Deed Restriction & HOME Lien
Repayment of HOME Subsidy	Promissory Note & HOME Lien	Deed Restriction & HOME Lien
Fair Return to Owner	N/A	Deed Restriction & HOME Lien
Affordable Resale Price	N/A	Deed Restriction & HOME Lien
Subsequent Buyer's Income	N/A	Deed Restriction & HOME Lien
* HOME Lien is a document recorded as a "Rider" with the HOME Program Mortgage securing repayment of the HOME subsidy.		

Matching Funds

The City of Kenosha intends to satisfy the Federally-mandated match requirements by using a combination of the eligible forms of match outlined in Section 92.220 of the HOME Program regulations. The City and all sub-recipients will document "match" on a per-project basis.

Funding Reduction and Adjustment Based on Actual HUD Allocation

If the 2025 funding level is more or less than the $446,688.00 as indicated in this program description, each program activity will be adjusted by applying the same percent of funding increase or decrease equally to each activity.

Applicability of this HOME Program Description

The 2025 HOME Program Description shall not supersede previous HOME Program Descriptions in regard to the purposes and use of HOME Program funds.

Approved by City of Kenosha HOME Program Commission:
Approved by Common Council:
Amended by Common Council:

CITY OF SECOND MORTGAGE PURCHASE ASSISTANCE POLICY

Homes for sale through the City of Kenosha HOME Program will be advertised and sold on a first-come-first-served basis. All applicants, including persons assisted through the Second Mortgage Purchase Assistance Program that is used to purchase any eligible home within the City of Kenosha, shall be subject to the following Applicant Requirements.

Applicant Requirements

Applicants must meet the following requirements:

U.S. citizenship or "Qualified Alien" status (as defined by HUD)

18 years of age or older

Must meet the City's income limits for HOME Program

Cannot own any real estate at time of closing

Good verifiable credit rating

Adequate verifiable income to support home ownership

Must have 3% in funds to be used towards down payment plus closing costs

Must complete a HUD accredited Homebuyer Counseling Course

When the purchase contract is signed, a $500 earnest money deposit is required and will be credited toward the down payment. Obtaining first mortgage loan financing from private sources is the responsibility of the applicant.

FOR FURTHER INFORMATION CONTACT

Department of City Development
625 52nd Street, Room 308
Kenosha, WI 53140
Phone: 262.653.4030
Hours: 8:00 A.M. - 4:30 P.M.

2025 HOME Program Review & Approval Schedule

Date	*Activity*
By 10/1824	Publish Public Notice for City of Kenosha Consolidated Plan/Annual Plan for CDBG and HOME Funds and Activities with a 30 Day Comment Period
By 11/18/24	Finance Committee Review and Consideration of 2025 Annual Plan/Consolidated Plan and 2025 HOME Program Description (Public Hearing)
By 11/18/24	Common Council Review and Consideration of 2025 Annual Plan/Consolidated Plan and 2025 HOME Program Description